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RUEHOR/AMEMBASSY GABORONE 0114  
RUEHGB/AMEMBASSY BAGHDAD 0058  
RUEHZK/ECOWAS COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHMCSUU/DEPT OF ENERGY WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEAIIA/CIA WASHINGTON DC  
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UNCLAS SECTION 01 OF 02 LAGOS 000252

SENSITIVE  
SIPDIS

STATE PASS USTR FOR LISER, AGAMA  
STATE PASS OPIC FOR ZHAN, MSTUCKART, JEDWARDS  
STATE PASS TDA FOR DSHUSTER, MARIN  
STATE PASS EXIM FOR JRICHTER  
STATE PASS USAID FOR NFREEMAN, GBERTOLIN  
GABORONE PASS PDROUIN  
BAGHDAD PASS DMCCULLOUGH  
COMMERCE FOR KBURRESS, DHARRIS  
TREASURY FOR DPETERS, RABDULRAZAK

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SUBJECT: NIGERIA: BOOMING SATELLITE TV MARKET SHOWS GROWING  
CONSUMERISM

¶1. (U) Summary: Nigeria's direct-to-home satellite television industry has grown many fold over the past several years as providers tapped the country's expanding middle class and feed consumers' demand for homegrown entertainment. Executives from both the South Africa-based Multichoice and Nigerian firm HiTV independently told EconOff they forecast continued expansion in this still relatively untapped market, despite raising costs due to exchange rate fluctuations. HiTV lamented that US media penetration of Nigeria remains comparatively low and is exploring ways to introduce the popular programming to the country's vast audience. While this market is very young, it looks promising for American distributors who can deliver popular programming. End Summary.

Nigerians Increasingly Tuning In  
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¶2. (U) Multichoice Nigeria Managing Director Joseph Hundah on May 21 told EconOff that Multichoice subscriptions had grown 300 percent over the last three years and now total some 370,000 prepaid accounts. The South African firm entered Nigeria 15 years ago and, after ten years of lean growth when the firm only targeted the upper end of the market and broadcasted primarily South African and Western content, Hundah noted the firm entered a growth phase in the early 2000s. Deregulation and the growth of local start ups have helped to expand the market to increasing numbers of Nigerian households. There were no some 18 licensed pay television companies in Nigeria and piracy was rife. Hundah said Multichoice would continue to depend on the top end of the market, but he acknowledged that less expensive competitors had exposed a new layer in the consumer market that his firm was eager to target.

¶3. (U) Probably the most successful of the Nigerian start ups is HiTV, whose Managing Director Toyin Subair on June 1 told EconOff the two-year old company had some 220,000 subscribers, of which on average half were paid up at any one time. Subair attributed this high rate of "churning" to the firm's biggest selling point in Nigeria - HiTV this year wrestled exclusive broadcast rights for English Premier League soccer away from Multichoice Nigeria and many subscribers suspend their accounts during the off season. To lock

in subscribers, HiTV is expanded the number of channels offered - now at 30, up from 16 ten months ago - and offering a wide selection of Nollywood films and Nigerian pop music, which Subair said was popular with the country's expanding middle class.

¶4. (U) The two executives forecasted continued rapid expansion in Nigeria's direct-to-home television market over the near term. Moreover, Hundah and Subair both acknowledged their respective firms' difficulty in keeping pace with demand and noted that their core preoccupations these days were expanding their service departments simply to cope. Subair estimated that in Lagos alone some 900,000 could afford a HiTV subscription, which costs the equivalent of USD 32 per month. Both executives also noted plans to expand service throughout northern Nigeria, an area where they admitted penetration to date had been weak.

#### Global Economic Slowdown Pinching Margins

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¶5. (U) Hundah and Subair both brushed aside concerns that the slowdown in the Nigerian economy would slow their industry's growth. The executives added that they had yet to see a noticeable impact on subscriptions. The depreciation of the naira since last year, however, had impact their respective bottom lines. Some 85 percent of Multichoice's costs were in US dollars and, unable to pass along higher costs to Nigerian consumers due to stiff competition, the firm's USD-denominated profits had fallen 33 percent. Similarly, HiTV's costs have jumped 40 percent due to the depreciation. Hundah, however, noted that Multichoice's experience across Africa was that viewers, once hooked on satellite television, rarely cancel their subscription in response to an economic slowdown, suggesting

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that entertainment is seen as more than simply a luxury good.

"I Want My French MTV"

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¶6. (SBU) Subair said Nigerians had an affinity for American television programs but noted that the decision years ago by American media firms to sign exclusive pan-African distribution rights with Multichoice South Africa precluded HiTV and other Nigeria satellite companies from broadcasting popular programs. Subair noted these contracts were signed at a time when Multichoice was virtually the only satellite provider in Africa. Accordingly, HiTV, in addition to producing its own Nigerian content, was sourcing content from other countries. Instead of MTV and CNN, for instance, HiTV offered French music channel TRACE and Al Jazeera's English channel. Sympathetic to the significance of promoting American culture abroad, Subair said Nigerian youths today for instance often did not know who Mickey Mouse was due to exclusive rights for Disney products given to the up market Multichoice. By comparison, Subair reported that Chinese distributors were aggressively promoting among the country's more affordable satellite companies less popular Chinese programming, spearheaded by kung-fu movies. Subair said the Discovery Channel had created a separate content line to distribute to HiTV and other channels on a nonexclusive basis while still complying with its Multichoice contract, a model that he was encouraging other American firms to adopt.

¶7. (U) Comment: HiTV's Subair noted the growth of the satellite television market is a function of content more than price, and Nigeria's experience appears to follow that pattern. The industry only boomed when satellite firms began to offer the wildly popular Nollywood and Nigeria pop music content. The success of Multichoice Nigeria and HiTV, as well as the numerous regional cable television providers, is yet another indicator of growing disposable incomes enjoyed by middle class Nigerians, who appear to increasingly view entertainment as a necessity as opposed to a luxury good. This market is very young and looks promising for US distributors, who can deliver popular programming. End comment.

¶8. (U) This cable has been cleared by Embassy Abuja.

Blair